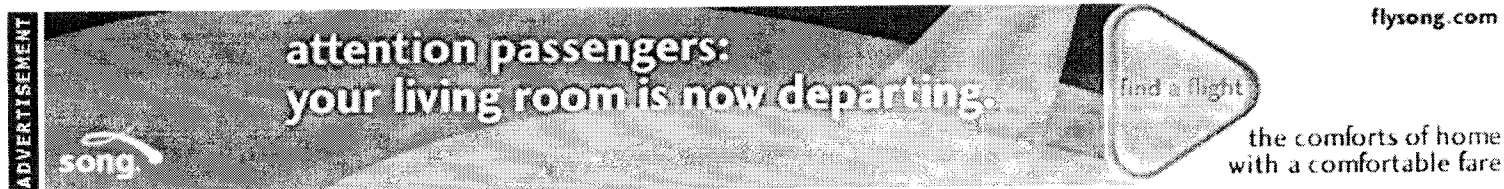


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Navy, State Target Payday Loan Stores

Officials are going after 'predatory lenders' that they say trap financially unsophisticated Marine and Navy personnel in a quicksand of debt.

By Tony Perry
Times Staff Writer

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SAN DIEGO — Military and state government officials have begun a crackdown on "predatory lending" businesses that target military personnel, who are often young and financially inexperienced.

Wayne Strumpfer, acting commissioner of the Department of Corporations, said his agency is particularly interested in payday loan stores, which offer loans to military personnel and other customers between paychecks.

California state law limits the amount of a loan from one store to \$300 and caps the amount of fees, but many people find they cannot repay the loan immediately and begin taking new loans to pay off old loans.

"We find young sailors and Marines getting into a vicious cycle of debt," said Rear Adm. Jose Betancourt, commander of the Navy's Southwest region, during a recent dockside news conference.

A Government Accountability Office report suggested that financial problems can sap the morale and readiness of troops. Betancourt said a review of sailors dismissed from the service found that in more than 40% of cases, money problems were a source of trouble.

A state study found 22 payday loan stores in Oceanside, just outside the gates of Camp Pendleton, more than anywhere in the state. Some display "We Support Our Troops" banners.

There are also such stores near the massive 32nd Street Naval Station in San Diego, and the loans are now available over the Internet.

Along with payday loan stores, officials are concerned with a variety of "affinity crimes" in which certain groups are pitched loans, annuities, insurance policies and other financial ventures based on appeals to race, ethnicity or occupation. Many of those schemes also flourish on the Internet.

"Too often, criminals prey on California military personnel with complex and confusing financial schemes," Betancourt said.

Strumpf said his agency is looking for violations of state law, including excessive fees, late penalties, deceptive advertising, and lack of proper licensing among the payday loan stores. "We can shut them down" for violations, he said.

The department ordered six payday loan stores closed in June for operating without licenses. One, in Lake Elsinore, had made at least 700 loans in five months.

The payday loan industry is a relatively recent phenomenon, arising in the late 1990s as an outgrowth of the check-cashing industry.

A spokesman said the industry feels it is being unfairly targeted for criticism.

"We're taking care of our military personnel far more than the banks or savings and loan industry," said Steve Schlein, spokesman for the Virginia-based Community Financial Services Assn. of America, which represents 60% of payday loan stores.

Schlein said members of the organization have pledged not to seek garnishment of military members' wages, not to contact commanding officers, and to delay collection procedures while military personnel are deployed in combat areas.

Military brass are not impressed.

A recent order passed to all commands in the San Diego region stated that sailors were to be instructed that "these payday loans are simply a bad choice for any consumer."

A survey of about 1,500 San Diego sailors found that 21% had taken payday loans — although the industry says those figures are high.

The same survey found that more than 60% of sailors would change their mind about taking payday loans when told that the fees, if considered as annualized interest, could amount to several hundred percent.

Having unpaid debts is a criminal offense under the Unified Code of Military Justice.

San Diego sailor Brandi Sickinger said a friend of hers aboard the oiler Sacramento loved stylish clothing and got more than \$2,000 into debt, which resulted in a disciplinary hearing.

"He was a pretty sorry guy," she said.

Military personnel are often afraid to seek help for their money problems for fear it could hurt their careers, the Navy's Betancourt said.

To overcome that, the Navy has established a hotline where sailors can be assured their commanding officers will not be informed of their money woes.

The nonprofit Center for Responsible Lending, based in North Carolina, says payday loans are a \$25-billion a year industry highly dependent on repeat customers.

Nationwide, the average person borrowing \$325 ends up paying \$800, according to a report from the center, which

is lobbying Congress to tighten restrictions on the industry.

Part of the Navy effort will be increased education for military personnel on how to live within a budget.

"All of us who serve in uniform are not likely to get rich anytime soon," Betancourt said.

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